

# CORPORATE GOVERNANCE REPORT

Strong governance is critical for the Company in achieving its vision and fulfilling its purpose, and doing so in a way that delivers long term sustainable value for all of its stakeholders. This Report describes the corporate governance best practices that the Company has adopted and highlights how the Company has applied the principles of the code provisions set out in Appendix 14 (Corporate Governance Code) to the Listing Rules (the “CG Code”).

The Board has the overall responsibility for effective corporate governance and for ensuring that the Company’s governance framework (which is described in this Report) enables it to oversee and address environmental and social issues that are material to the operations and businesses of the Company. The Environmental & Social Responsibility Committee has strategic oversight of the Company’s environmental and social strategy and is also responsible for tracking performance against the Company’s environmental and social commitments and reporting to the Board on these issues. For details of its principal responsibilities and the work performed during the year, please refer to pages 108 to 109 of this Report.

To keep its stakeholders abreast of the Company’s initiatives and performance in the environmental and social arenas, a separate Sustainability Report is published on an annual basis. The Sustainability Report complies with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, has been prepared in accordance with the Global Reporting Initiative Reporting Standards, and makes reference to various international reporting standards and guidelines, including the International Association of Public Transport (UITP) Sustainability Reporting Guide, ISO 26000 Guidance on Social Responsibility and the World Economic Forum’s (WEF) Stakeholder Capitalism Metrics. The Company also discloses climate-related information in line with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The Company’s Sustainability Report covering the period from 1 January to 31 December 2022 is available, together with this Annual Report, on the websites of both the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

The Company also issues an annual Sustainable Finance Report, which is available on the Company’s website ([www.mtr.com.hk](http://www.mtr.com.hk)) and responds to CDP (previously the Carbon Disclosure project) on climate related risks, opportunities and disclosures.

## VISION, PURPOSE, CORPORATE STRATEGY, VALUES AND CULTURE

The Company’s vision is to be an internationally recognised company that connects and grows communities with caring, innovative and sustainable services.

To safeguard the long-term prospects of the Company, a new Corporate Strategy – “Transforming the Future” (the “Corporate Strategy”), was adopted by the Board in mid-2020 and is being implemented by the Executive Directorate, with periodic reports to the Board. The Corporate Strategy establishes clear business priorities and social and environmental goals with a view to maintaining competitiveness and driving the sustainability of the Company’s businesses, as well as creating healthy, long-term symbiotic relationships with the communities in which the Company operates. With a clearly defined purpose of “keeping cities moving”, the Corporate Strategy defines a more fit-for-future organisation with a strengthened Hong Kong core, steady growth in Mainland China and internationally and powerful new growth engines – three strategic pillars so that the Company can stay competitive in a fast-changing business environment.

The Corporate Strategy is underpinned by a set of values (Excellent Service, Mutual Respect, Value Creation and Enterprising Spirit), which help to provide all staff with a clear indication of what is expected from them, from both a performance and a competency perspective. To foster a corporate culture which is aligned with the Company’s vision, purpose, strategy and values, and align the mindsets and behaviours of staff to support the delivery of the Corporate Strategy, the Company has established four cultural focus areas and associated attributes.

The values and culture of the Company work hand-in-hand, as illustrated in the diagram below:



During the year ended 31 December 2022, a series of actions have been undertaken to promote the desired corporate culture, including regular reviews by the Board of the progress made in the implementation of the Corporate Strategy and the associated enablers, including (i) changing the operating model of the Company and, in particular, the organisational structure and performance management framework to transform the way of working and evaluating staff performance; (ii) promoting and enabling digitalisation and technology transformation across the Company; and (iii) embedding the social objectives and the three lines of defence model into daily operations. The Company has also provided regular training sessions aimed at strengthening different aspects of the corporate culture, which were attended by over 3,500 participants in 2022.

The Company values all feedback received, whether through more formal channels or through interactive communication sessions carried out by Members of the Executive Directorate, who host town hall forums, management communication meetings and informal meetings with different groups of employees for them to share their views and ideas. Following the Employee Engagement Survey ("EES") conducted by an independent consulting firm engaged by the Company for employees in Hong Kong and wholly-owned subsidiaries outside Hong Kong in December 2021, ten taskforces with over 80 taskforce members at both the corporate and business unit/function level have been set up for the purpose of formulating and implementing over 120 EES follow-up actions during the year. For continuous engagement and to understand the feedback from employees after the

implementation of the EES follow-up actions, a pulse survey was conducted in December 2022 to which over 9,000 eligible colleagues responded. The results of this pulse survey, together with the information provided through other forums, will provide important input to allow the Company to steer the continued implementation of the Corporate Strategy and ensure alignment between the Corporate Strategy and the Company's vision, purpose, values and culture.

For more details about the Company's approach to human capital management, including how the corporate culture is nurtured, as well as how the Company approaches equal employment opportunities and diversity and inclusion, please refer to the Sustainability Report.

## CORPORATE GOVERNANCE PRACTICES

Corporate governance is the collective responsibility of the Members of the Board and the Board firmly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests of all of its stakeholders. The Board actively seeks opportunities for continuous improvement in the area of corporate governance and takes prompt action in responding to identified improvement opportunities.

With effect from 1 January 2022, the CG Code was updated, with the new provisions applicable to financial years commencing on or after 1 January 2022. The Company is and, in most cases, has been compliant for a number of years with the new requirements as highlighted below:

New Requirements	Highlights of the Company's Practices
<b>1. Culture</b>	
a. To require board to align the company's culture with its purpose, values and strategy	Please refer to the Vision, Purpose, Corporate Strategy, Values and Culture section (pages 100 to 102 of this Report).
b. To establish anti-corruption and whistle-blowing policies	<ul style="list-style-type: none"> <li>The Company has issued different in-house Corporation General Instructions ("CGIs") to staff. The CGI relating to Prevention of Bribery and Illegal Acceptance/Offer of Advantages has been in issue since the Company's incorporation and has been supplemented by subsequent CGIs relating to Conflicts of Interest and Conflicts of Interests – Disclosure Requirements. The Company conducts regular reviews to keep abreast of the latest governance developments and new or updated CGIs are issued from time to time as required. Highlights of the relevant instructions are also referred to in the Company's Code of Conduct which is available on the Company's website (<a href="http://www.mtr.com.hk">www.mtr.com.hk</a>).</li> <li>The Company first formally established a whistle-blowing process in 2012 through the issue of a CGI, which was last updated in 2019. The whistle-blowing channel is open to all staff, parties who deal with the Company as well as the general public. The Company has also adopted a Whistle-blowing Policy which is available on the Company's website (<a href="http://www.mtr.com.hk">www.mtr.com.hk</a>).</li> </ul>
<b>2. Board independence and refreshment</b>	
a. To ensure independent views are available to the board	<ul style="list-style-type: none"> <li>The Company's Nomination Policy (which was updated in March 2022 and is reviewed by the Nominations Committee at least annually) includes "the need for a strong independent element on the Board" as one of the selection parameters for consideration when evaluating proposed candidates for appointment to the Board.</li> <li>The Board has maintained a supermajority of Independent Non-executive Directors of the Company ("INED") with diversified backgrounds for many years to ensure a wide spectrum of independent views are expressed at the Board.</li> </ul>

New Requirements	Highlights of the Company's Practices
<b>2. Board independence and refreshment (continued)</b>	
<p>b. Additional disclosures on factors considered, process and the Board or Nomination Committee's discussion in arriving at determination that the Long Serving INED (i.e. INED serving more than nine years) is still independent and should be re-elected</p>	<p>Since 2015, the Nominations Committee has adopted a practice that justification for nominating a Member of the Board (excluding Directors nominated by Government) who has completed three consecutive terms of service (each of three years) for re-appointment should be clearly specified. Such practice has been formalised in the Nomination Policy, which also provides that for an INED who has completed three consecutive terms of service (each of three years), a recommendation from the Nominations Committee for his/her re-appointment shall include the reason(s) why such INED is still considered to be independent and should be re-appointed, including the factors considered, the process and the discussion of the Nominations Committee in arriving at such determination.</p>
<p>c. No equity-based remuneration with performance-related elements to INEDs</p>	<p>INEDs' fees are determined primarily by benchmarking against the market and do not involve any equity-based remuneration with performance related elements.</p>
<b>3. Diversity</b>	
<ul style="list-style-type: none"> <li>• No single gender board</li> <li>• Gender diversity targets at board level</li> <li>• To review board diversity policy</li> </ul>	<ul style="list-style-type: none"> <li>• As at 31 December 2022, the Board has four female Members, representing approximately 21% of the Board. In March 2022, the Board amended the Company's Board Diversity Policy (the "BD Policy") (which was first adopted in 2013 and is available on the Company's website (<a href="http://www.mtr.com.hk">www.mtr.com.hk</a>)) to include a commitment to maintain an appropriate level of female Members on the Board, which shall not be less than 20% with immediate effect and 25% by 2025.</li> <li>• The Nominations Committee reviews the BD Policy annually to ensure its continuing appropriateness and effectiveness.</li> </ul>
<b>4. Nomination Committee</b>	
<p>Chaired by an INED and comprising a majority of INEDs</p>	<p>As at 31 December 2022, the Company's Nominations Committee was chaired by an INED and the other six members were made up of three NEDs and three INEDs.</p>
<b>5. Communications with shareholders</b>	
<p>Shareholders communication policy and annual review</p>	<p>The Shareholders' Communication Policy of the Company was introduced in 2012 and was last updated in January 2022. The Policy is available on the Company's website (<a href="http://www.mtr.com.hk">www.mtr.com.hk</a>) and is reviewed by the Board on an annual basis to ensure its effectiveness.</p>
<b>6. Other enhancement</b>	
<p>To disclose directors' attendance in the poll results announcements</p>	<p>The Company has disclosed the attendance of its Board Members at the Annual General Meeting of the Company held on 25 May 2022 (the "2022 AGM") in the poll results announced on the same day, which are also available on the Company's website (<a href="http://www.mtr.com.hk">www.mtr.com.hk</a>).</p>
<b>7. Elaborate the linkage between Corporate Governance and Environmental, Social and Governance ("ESG")</b>	
<p>To elaborate the linkage between Corporate Governance and ESG (the "Linkage")</p>	<p>The Company has elaborated the Linkage in the Corporate Governance Report starting from the 2021 Annual Report.</p>
<b>8. Timely disclosure of ESG report</b>	
<p>To publish ESG reports at the same time as publication of annual reports</p>	<p>The Company's Sustainability Report and Annual Report have been uploaded on the websites of the Company and the Stock Exchange on the same day since 2020.</p>

## CORPORATE GOVERNANCE CODE COMPLIANCE

During the year ended 31 December 2022, the Company has complied with the code provisions as set out the CG Code. In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code/Listing Rules requirements:

Corporate Governance Areas	Details of Exceedance
Number of INEDs	The number of INEDs represents more than two-thirds of the Board, which exceeds the independence requirement under the Listing Rules
Number of INEDs in Audit & Risk Committee (formerly known as Audit Committee)	The Audit & Risk Committee consists of five INEDs, which exceeds the independence requirement under the Listing Rules
Number of Regular Board Meetings	The Company holds seven Regular Board Meetings each year and Special Board Meetings are held as and when required, which exceeds the requirement under the CG Code
Notice of Regular Board Meetings	The dates of Regular Board Meetings for the following year are usually fixed in the third quarter of the preceding year
Model Code Confirmation	<ul style="list-style-type: none"> <li>Confirmation of Compliance with the Model Code is obtained from each Director and Model Code Manager (as defined under the section "Model Code for Securities Transactions by Directors of Listed Issuers") every half-year</li> <li>An electronic platform has been established to give one-stop access to the relevant key processes to support compliance with the Model Code</li> </ul>
Evaluation of the Effectiveness of Risk Management System	<ul style="list-style-type: none"> <li>The Company reviews not only the effectiveness of the risk management system of the Company and its subsidiaries, but also that of its key associates operating in Mainland China and overseas</li> <li>The Company has established a risk-based Three Lines of Defence framework to ensure appropriate focus is applied to relevant risks and provide recommendations to address identified gaps and inefficiencies</li> </ul>

The Company continues to monitor developments in the arena of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of stakeholders.

## THE BOARD OF DIRECTORS

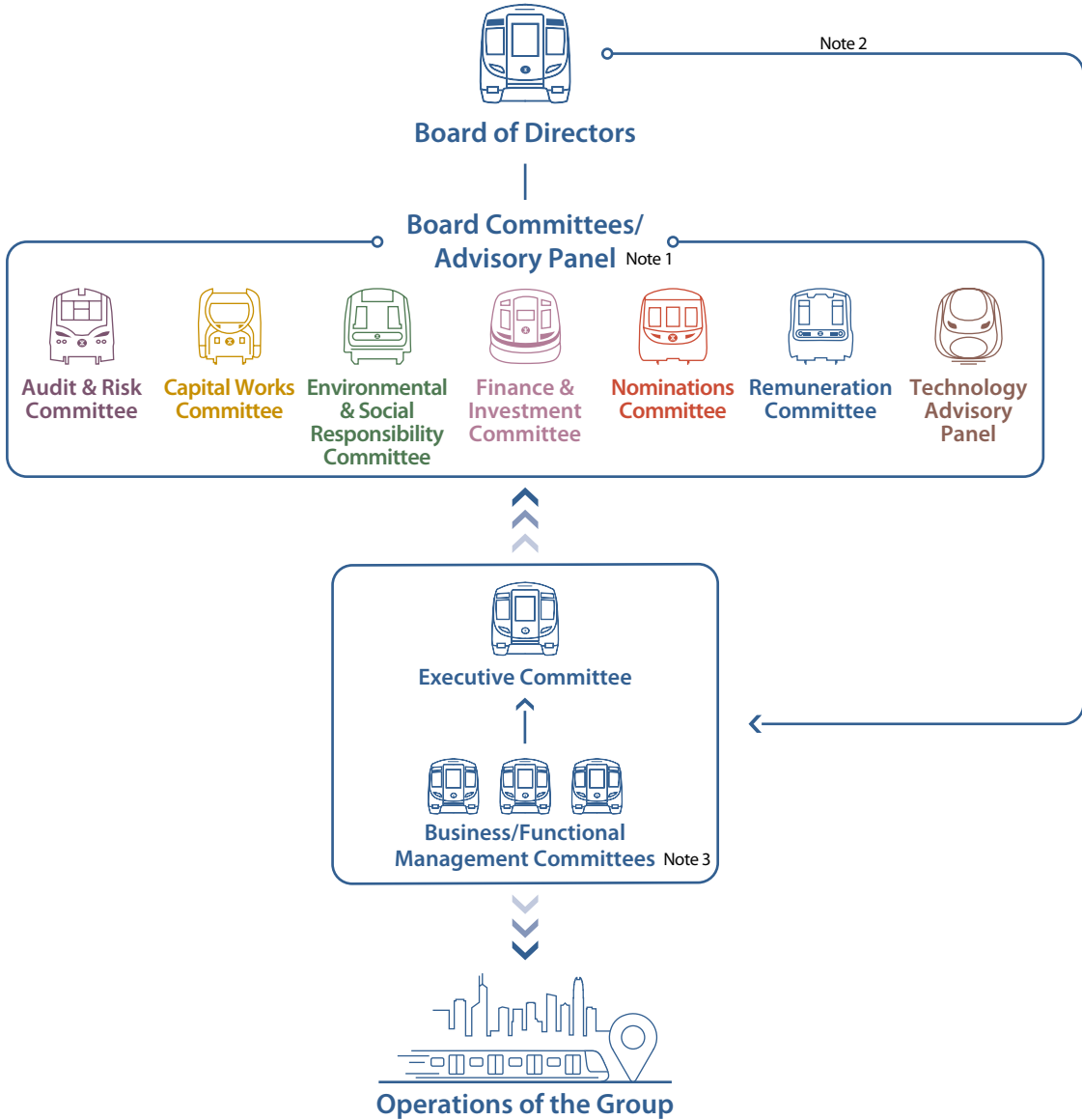
### Overall Management

The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the "Protocol: Matters Reserved for the Board" (the "Protocol") adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee, and focuses its attention on matters affecting the Company's overall strategic policies, corporate governance, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policies, annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, corporate governance functions, risk management and internal control systems, treasury policies and fare structures. The Board reviews the delegation arrangement periodically.

Following the restructuring of the Board Committees and a review of the Protocol in late 2021 and January 2022, the Protocol was updated such that the Board reserves the right to delegate any decision-making powers reserved by it in accordance with the Protocol to any of the Board Committees in existence from time to time (whether or not such delegation is expressly referred to in the Protocol).

To enable the Board to maintain adequate oversight, the Board receives updates and briefings on matters that have a significant impact on the Company's operations and businesses on a regular basis, supplemented by ad hoc reporting as and when required.

Below is a diagram of the governance structure of the Company:



**Notes:**

1. All Board Committees/Advisory Panel(s) are provided with sufficient resources to discharge their duties and can seek independent professional advice (as and when required) at the Company's expense to perform their responsibilities. The terms of reference of each Board Committee/Advisory Panel are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.
2. The Executive Committee is delegated by the Board to handle the day-to-day management of the Company's business pursuant to the Articles of Association and the Protocol and is chaired by the Chief Executive Officer ("CEO") and made up of nine other Members of the Executive Directorate.
3. Business/Functional Management Committees are set up to assist the Executive Committee in the management and control of the Company's various core businesses and functions.

**Composition of the Board**

A list of Members of the Board and the Executive Directorate and their roles and functions is available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange. Biographical details of each of the Members of the Board and the Executive Directorate are set out on pages 150 to 162 of this Annual Report.

As at the date of this Report, the Board has 19 Members, made up of 13 INEDs, five Non-executive Directors (“NEDs”) and one Executive Director. This structure ensures that the Board is comprised of a majority of independent members, which is conducive to maintaining an independent and objective decision-making process.

Government, through The Financial Secretary Incorporated, held approximately 74.72% of the issued shares of the Company as at 31 December 2022, and is a substantial shareholder of the Company. The Chief Executive of the HKSAR, in the exercise of his right under Section 8 of the MTR Ordinance, has appointed three persons as “additional directors” of the Company (the “Additional Directors”). They are:

- The office of the Secretary for Transport and Logistics (currently held by Mr Lam Sai-hung);
- The office of the Permanent Secretary for Development (Works) (currently held by Mr Ricky Lau Chun-kit); and
- The office of the Commissioner for Transport (currently held by Miss Rosanna Law Shuk-pui).

The Additional Directors are all NEDs and are treated for all purposes (other than the requirement to retire by rotation according to the Articles of Association) in the same way as other Directors and are, therefore, subject to the usual common law duties of directors, including the requirement to act in the best interests of the Company.

Mr Christopher Hui Ching-yu, the Secretary for Financial Services and the Treasury, is another NED of the Company.

Coming from diverse business and professional backgrounds, Members of the Board actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. In addition, the INEDs also contribute to ensuring that the interests of all stakeholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board.

## Chairman and CEO

The posts of the Chairman and the CEO are distinct and separate. Their respective roles and responsibilities are set out below:



**Chairman**  
(Non-executive Director)



**CEO**  
(Executive Director)

- Chairing and managing the operations of the Board;
- Monitoring the performance of the CEO and other Members of the Executive Directorate;
- Making sure that adequate information about the Company’s business is provided to the Board on a timely basis;
- Providing leadership for the Board and promoting a culture of openness;
- Ensuring views on all issues are exchanged by all Members of the Board in a timely manner;
- Encouraging Members of the Board to make a full and effective contribution to the discussion at Board Meetings; and
- Establishing good corporate governance practices and procedures.

- Head of the Executive Directorate;
- Chairman of the Executive Committee;
- Responsible to the Board for managing the business of the Company; and
- Responsible for performing a bridging function between the Board and the Executive Directorate.



## Board Evaluation Exercise

As mentioned in the 2021 Annual Report, a Board evaluation exercise was conducted by an external consultant in 2021, focusing on the Board’s engagement, communication, structure and composition.

The recommendations from the said exercise led to a restructuring of the Company’s Board Committees and a revamping of their terms of reference with a view to enhancing Board effectiveness and ensuring that the Board was fit for purpose for supporting the implementation of the Corporate Strategy. On 11 January 2022, the Board approved (i) the establishment of the Finance & Investment Committee and the Technology Advisory Panel; (ii) changes to the Company’s existing Board Committees, namely, the renaming of and revision of the terms of reference of the then Audit Committee to become the Audit & Risk Committee, the disbanding of the then Risk Committee (“the then RiskC”) and the renaming of and revision of the terms of reference of the then Corporate Responsibility Committee (“the then CRC”) to become the Environmental & Social Responsibility Committee; and (iii) the appointment of members/changes to the composition of the relevant Board Committees and Advisory Panel, all with effect from 1 February 2022.

A summary of the changes to the Board Committees/Advisory Panel is set out below:

Before Restructuring	After Restructuring
○ Audit Committee	○ Audit & Risk Committee
○ Capital Works Committee	○ Capital Works Committee
○ Corporate Responsibility Committee	○ Environmental & Social Responsibility Committee
○ Nominations Committee	○ Nominations Committee
○ Remuneration Committee	○ Remuneration Committee
○ Risk Committee	○ Finance & Investment Committee ( <i>New</i> )
	○ Technology Advisory Panel ( <i>New</i> )

More details about the new Finance & Investment Committee are set out in its report on page 144 of this Annual Report, and the new Technology Advisory Panel are provided on page 109 of this Report.

As part of the implementation of the other recommendations arising from the Board evaluation exercise (i) the financial delegation from the Board to the Executive Committee was revised with effect from 1 February 2022; and (ii) the Nominations Committee held an additional meeting in October 2022 specifically to discuss Board succession.

## Board Committees/Advisory Panel(s)

The Board discharges some of its responsibilities through delegation, with appropriate oversight, to respective Board Committees and Advisory Panel(s). The memberships of Board Committee and Advisory Panel and the attendance record of each Member of the Board in 2022 are set out on pages 120 to 122 of this Report.

The duties and work performed by the Audit & Risk Committee, Capital Works Committee, Finance & Investment Committee and Remuneration Committee during the year are set out in their respective reports in this Annual Report:

- “Audit & Risk Committee Report” on pages 135 to 137;
- “Capital Works Committee Report” on page 143;
- “Finance & Investment Committee Report” on page 144; and
- “Remuneration Committee Report” on pages 145 to 149.



## Nominations Committee

The Nominations Committee consists of seven NEDs, four of whom are INEDs. The Chairman of the Committee is an INED. Its terms of reference, as updated in February 2022, are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

Principal responsibilities:

- Reviewing the structure, size and composition (including the perspectives, skills, diversity, knowledge and experience) of the Board, the appropriateness and effectiveness of the BD Policy and Nomination Policy, as well as the adequacy and appropriateness of the list of skillsets of the Board at least annually and making recommendations to the Board to complement the Company's corporate strategy and for succession planning purposes;
- Identifying individuals suitably qualified to become Members of the Board and putting forward nominations or recommendations to the Board for proposed appointments to the Board;
- Assessing the independence of INEDs and, in case a proposed director will be holding his/her seventh (or more) listed company directorship, his/her ability to devote sufficient time to Board matters;
- Making recommendations to the Board on the appointment or re-appointment of Members of the Board and succession planning for Members of the Board; and
- Nominating and recommending to the Board candidates for filling the positions of CEO, Finance Director and Chief Operating Officer (provided that the Chief Operating Officer position exists).

During the year, the Committee conducted reviews, discussed and, where applicable, made corresponding recommendations to the Board in respect of the following matters:

- Annual review of the structure, size and composition of the Board, and proposed amendments to the Nomination Policy, BD Policy and the list of skillsets;
- Annual assessment of the independence of each INED;
- Re-election of Members of the Board retiring at the 2022 AGM;

- Proposed nomination of new Members of the Board for election by shareholders at the 2022 AGM; and
- Succession planning for the Board.

As at the date of this Report, the Nominations Committee has conducted, inter alia, (i) another annual review of the size, structure and composition (including skills/experience/perspectives) of the Board and consider the same is appropriate in light of the Company's strategy and business needs and the list of skillsets of the Board; (ii) an annual assessment of the independence of each INED; and (iii) re-election of the retiring Members of the Board and proposed nomination of new Members of the Board for election at the 2023 Annual General Meeting of the Company (the "2023 AGM"). The Nominations Committee has also concluded that the Board (1) currently possesses a balanced mix of skills, experience and diversity of perspectives; (2) is in line with the Company's BD Policy; and (3) is appropriate for continuing to support the execution of the Company's business strategies in an efficient and effective manner.

## Environmental & Social Responsibility Committee

Following the Board Committee restructuring, with effect from 1 February 2022, the Corporate Responsibility Committee was renamed as the Environmental & Social Responsibility Committee. Its terms of reference, as updated in February 2022, are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

As at the date of this Report, the Environmental & Social Responsibility Committee consists of seven members, made up of three INEDs, one NED and three Members of the Executive Directorate. The Environmental & Social Responsibility Committee is chaired by the Chairman of the Company.

After the Board Committee restructuring, the principal responsibilities of the Committee include:

- Engaging in any activity and acting as an advisor to the Board in respect of matters falling within the Committee's terms of reference;
- Approving the Company's environmental and social ("E&S") strategy;
- Overseeing the setting and achievement of targets under the Company's E&S strategy;

- Monitoring and overseeing the Company's E&S (including safety) performance and the related frameworks and initiatives;
- Approving E&S investments by the Company in excess of the thresholds set by the Board, in accordance with the Company's E&S investment framework;
- Overseeing the Company's stakeholder engagement strategy;
- Identifying emerging corporate responsibility and sustainability issues arising from external trends;
- Reviewing the Company's annual Sustainability Report and recommending endorsement by the Board; and
- Providing updates to the Board on matters falling within the Committee's remit as required.

Please also refer to the "Environmental & Social Responsibility" section (pages 72 to 79) of this Annual Report.

Work performed during the year:

- Monitored the advancement of the Environmental and Social Objectives of Social Inclusion, Greenhouse Gas Emissions Reduction and Advancement & Opportunities;
- Reviewed and recommended the 2021 Sustainability Report to the Board for approval;
- Considered the Company's performance on various local and international sustainability indices;
- Endorsed a Carbon Reduction Study;
- Endorsed an E&S Investment Framework; and
- Monitored the progress of various youth, elderly and district-level community engagement and investment programmes.

As at the date of this Report, the Environmental & Social Responsibility Committee has conducted, inter alia, a review of the adequacy of the Company's resources for ESG performance and reporting. For more information, please refer to the "Evaluation of the Adequacy of Resources of the Company's Accounting, Financial Reporting and Internal Audit Functions and for ESG Performance and Reporting" under the section headed the "Risk Management and Internal Control Systems" (pages 127 to 128) of this Report. Going forward, this review will be carried out on an annual basis.

## Technology Advisory Panel

The Technology Advisory Panel is a panel of the Company established on 1 February 2022. As at the date of this Report, the Panel consists of three members of the Board, of which two are INEDs, and an external advisor. The Chairman of the Panel is an INED. The terms of reference of the Panel are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

Principal responsibilities:

- Reviewing and providing input and direction to the setting and implementation of the Company's digital strategy and "Engine 2" strategy, the Company's long-term technological development plans and implementation schemes, as well as the Group's cyber security positioning; and
- Reviewing relevant digital trends, new technologies and cyber security developments and incidents and making recommendations to the Company's Executive Directorate and, where appropriate, the Board on further developing the Company's digital strategy and cyber security positioning.

Work performed during the year:

The Panel reviewed and provided guidance on the following key matters:

- the technology governance model of the Company;
- the technology plan of a major business unit;
- the digital plan of a business unit;
- the progress of cyber security work, including initiatives, security audits and horizon scanning of incidents;
- the digital and enterprise architecture strategy; and
- updates on major digital and innovation projects.

## Company Secretary

Ms Gillian Elizabeth Meller, being the Legal and Governance Director and a Member of the Executive Directorate, reports to the CEO. Her role as the Company Secretary includes:

- Providing access to advice and services for Members of the Board;
- Ensuring the correct Board procedures are followed;
- Advising the Board on all corporate governance matters;

- Arranging for Members of the Board, their Alternate Directors and Members of the Executive Directorate, upon their appointment, to receive a comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company, as well as the general and specific duties of directors under general law (common law and legislation) and the Listing Rules;
- Recommending Members of the Board, their Alternate Directors and Members of the Executive Directorate to attend relevant seminars and courses; and
- Arranging for training on relevant new or amended legislation or other regulations to be provided at Board meetings.

In 2022, Ms Meller undertook over 15 hours of professional training to update her skills and knowledge.

### Appointment, Re-election and Removal of Members of the Board

A person may be appointed as a Member of the Board at any time either by:

- the shareholders in general meeting in accordance with the "Appointment Procedures for Members of the Board of the Company", which is available on the website of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)); or
- the Board upon the recommendation of the Nominations Committee of the Company; or
- the Chief Executive of the HKSAR in the case of the Additional Directors.

Members of the Board who are appointed by the Board during a year must retire at the first annual general meeting after their appointment and are eligible for election at that meeting.

Except for the Additional Directors, all other Members of the Board are required to retire by rotation. At each annual general meeting of the Company, Members of the Board who were last elected or re-elected at the annual general meeting which was held in the third calendar year prior to the annual general meeting in question, are those who will retire by rotation.

The Additional Directors may not be removed from office except by the Chief Executive of the HKSAR and are not subject to any requirement to retire by rotation.

The Company has a service contract with each of the NEDs (with the exception of the Additional Directors) and the INEDs, specifying the terms of his/her continuous appointment as a NED or an INED and as the chairman or a member of the relevant Board Committee(s)/ Advisory Panel.

### Nomination Policy

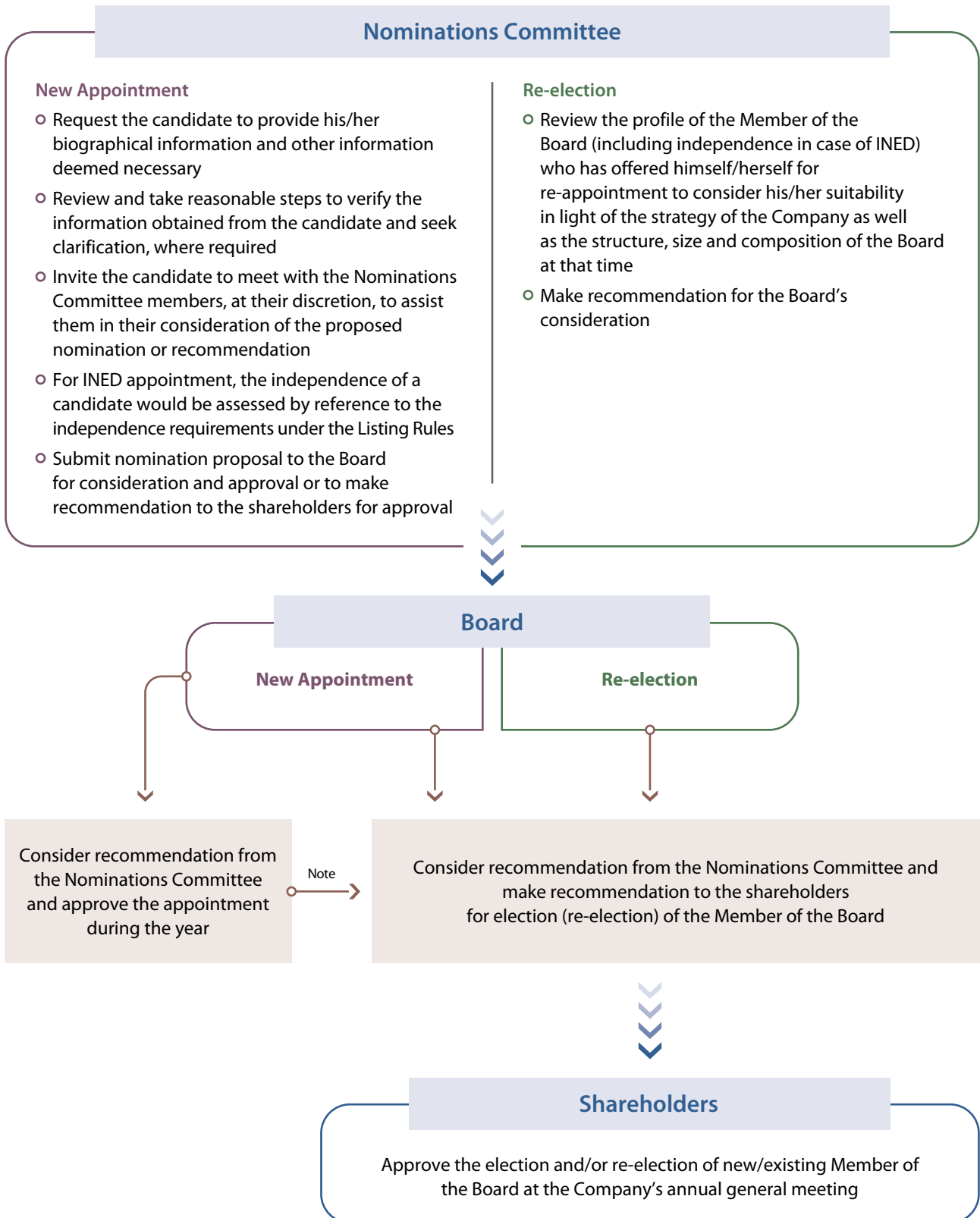
A Nomination Policy (the "Nomination Policy") documenting the procedures and practices that are adopted by the Company, is posted on the Company's website ([www.mtr.com.hk](http://www.mtr.com.hk)).

The Nomination Policy sets out the process and procedures for governing the nomination of Members of the Board applicable to both new appointments and re-appointments, except for appointments made by the Chief Executive of the HKSAR pursuant to Section 8 of the MTR Ordinance and nomination by shareholders of the Company in accordance with the Articles of Association.

The Board has delegated to the Nominations Committee the authority to identify and assess potential candidates for appointment to the Board through different means and channels, including recommendations from Members of the Board, use of external search firms and any other means or channels that it deems appropriate. To ensure an appropriate level of refreshment of views at the Board, recommendations from the Nominations Committee to the Board are required to set out justifications for re-appointing a Member of the Board who has completed three consecutive terms of service (each of three years); in addition, for an INED who has completed three consecutive terms of service (each of three years), a recommendation from the Nominations Committee for his/her re-appointment shall include the reason(s) why such INED is still considered to be independent and should be re-appointed.

## Nomination Procedures

The following diagram demonstrates the nomination procedures for new appointments and re-elections of Members of the Board:



*Note: Any Member of the Board appointed during the year is subject to election by the shareholders at the next following annual general meeting.*

## Selection Parameters

In evaluating a proposed candidate, including a Member of the Board eligible for re-appointment, the Nominations Committee will consider the following factors (which are by no means exhaustive):

- the strategy of the Company;
- the structure, size, composition and needs of the Board and its respective Board Committees at the time (including the number of INEDs on the Board), taking into account succession planning and the diversity of the Board, where appropriate;
- the required skills, which should be complementary to those of the existing Members of the Board;
- the BD Policy of the Company as adopted/amended by the Board from time to time;
- any information obtained through third party references or background checks;
- any other factors that may be used as reference in assessing the suitability of a proposed candidate, including but not limited to the candidate's reputation for integrity, qualifications, accomplishments, likely commitment in terms of time and interest and expected contribution to the Company;
- if a proposed candidate will be holding his/her seventh (or more) listed company directorship, the candidate's ability to devote sufficient time to the Board;
- the need for a strong independent element on the Board; and
- the independence of a candidate proposed to be appointed as an INED, in particular by reference to the independence requirements under the Listing Rules.

The Nominations Committee is vested with discretion to take into account such other factors that it may consider appropriate.

The Nominations Committee will review the implementation of the Nomination Policy at least annually, including the mechanisms for ensuring independent views and input are available to the Board, and make recommendations on any proposed changes to the Board for the Board's review and approval to ensure its effectiveness.

## Diversity

The Company is well aware of the benefits of diversity from the perspectives of, inter alia, creativity, innovation and decision making, and has a number of initiatives underway as part of the social inclusion pillar of its E&S strategy.

### Board Level

As at 31 December 2022, the Board had four female Members, representing approximately 21% of the Board. In March 2022, the Board committed the Company to maintaining an appropriate level of female Members on the Board, which shall not be less than 20% with effect from that date and 25% by 2025.

The Company first adopted a BD Policy in 2013 and a regular review of the policy is conducted by the Nominations Committee. The latest BD Policy, updated in March 2022, is available on the Company's website ([www.mtr.com.hk](http://www.mtr.com.hk)).

The BD Policy provides that the Company should endeavour to ensure that the Members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. A summary of the BD Policy is set out below:

- the Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor;
- a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. In informing the Company's perspective on diversity, its own business model and specific needs from time to time will also be taken into account; and
- the Company is committed to maintaining a Board made up with INEDs as the majority, together with an appropriate level of female Members on the Board, which shall not be less than 20% with immediate effect and 25% by 2025.

As at the date of this Report, the Board through the Nominations Committee has reviewed the implementation of the BD Policy to ensure its appropriateness and effectiveness.

While conscious efforts are being taken by the Company to fulfil its pledges, all appointments will continue to take into account the Company's Nomination Policy and ultimately be made on a merit basis taking into account available and suitable candidates.

The BD Policy and the list of skillsets were taken into account by the Nominations Committee and the Board in considering the following new appointments during the year:

- Mr Sunny Lee Wai-kwong as an INED; and
- Mr Carlson Tong as an INED.

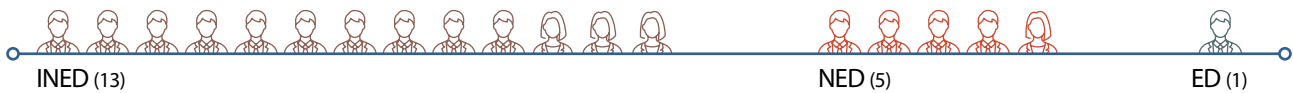
The Committee and the Board formed the view that, with Mr Lee's rich experience in business and technology management in both Hong Kong and overseas and Mr Tong's significant experience in the capital markets, corporate governance and regulatory compliance fields, each of them would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives on the Board, thereby enhancing the diversity and effectiveness of the Board.

The current diversity of the Board can be seen in the below diagram:

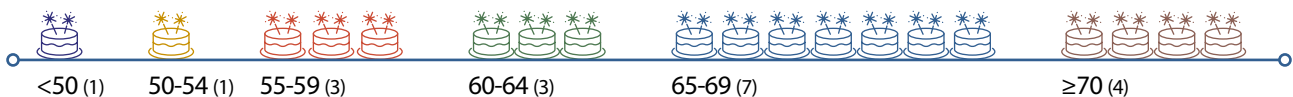
### Gender



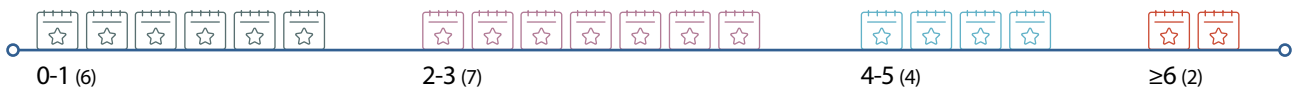
### Designation



### Age Group



### Number of Years as Board Members (Years)



### Outside Directorships (Number of listed companies)



### Board Skills

During the year, the Nominations Committee reviewed the appropriateness of the list of skillsets and considered that Board Members' individual experience (past and current) spanning across different sectors (including public bodies, private companies, charitable organisations and Government authorities) has enriched the diverse perspectives of the Board, while collectively providing a reservoir of balanced skills that supports the Company's strategic needs.



The list of skillsets of the Members of the Board covers the following key areas:

- business related experiences including risk management, human resources management, strategic planning, multi-national companies experience, and passenger/customer perspectives;
- compliance related experiences including listed company experience, and environment, social and governance matters;
- industry related experiences including railway operations, engineering, construction and infrastructure, property development, planning/urban development, commercial/business operations and overseas business growth and management;
- professional expertise including accounting and finance, engineering, legal and regulatory;
- public administration including Government liaison, Hong Kong political environment, government relations in Mainland China, and public affairs/communications; and
- technology, particularly in the areas of digital and cyber security.

### Workforce Level

“Diversity and Inclusion” (“D&I”) is one of the ten commitments under the Company’s E&S Objectives, under which the Company commits to eliminating discrimination in its practices and policies and increasing the diversity of its workforce.

The Company has achieved several D&I related key performance indicators in 2022. For instance, three initiatives aimed at enhancing workforce diversity were organised in collaboration with NGOs and around 230 Diversity, Equity and Inclusion (“DEI”) training events for staff were organised. In addition, a review of the DEI clauses in the Code of Conduct and Equal Opportunities Policy has been completed and the revised Code of Conduct was released to all staff in February 2022. Also, 9% of the Company’s summer interns recruited were ethnic minorities or persons with disabilities, which is higher than the target of 8%. Meanwhile, workplace inclusiveness has also been enhanced in 2022 through: (1) the establishment of a women’s network; and (2) the review of the language requirements for ten job positions.

For the gender distribution of the workforce (including the senior management) in 2022, please refer to the information disclosed in the 2022 Sustainability Report.

## INED INDEPENDENCE AND STATUTORY CONFIRMATIONS

For the year ended 31 December 2022, the Company has received an annual confirmation from each INED about his/her independence and, where applicable, the interests of his/her immediate family member(s) (as defined under the Listing Rules). The Nominations Committee has reviewed the said confirmations and assessed the independence of the INEDs, and continues to consider each of them to be independent.

As at the date of this Report, the Board, through the Nominations Committee, has reviewed the implementation and effectiveness of the below mechanisms to ensure that independent views and input are available to the Board.



Structure	The number of INEDs represents more than two-thirds of the Board, which exceeds the independence requirement under the Listing Rules.
INED's tenure	For an INED who has completed three consecutive terms of service (each of three years), a recommendation from the Nominations Committee for his/her re-appointment shall include the reason(s) why such INED is still considered to be independent and should be re-appointed.
Time commitment	Each Member of the Board is required to ensure that he/she can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments. The attendance record of each Member of the Board during the year is set out on pages 120 to 122 of this Report.
Overboarding	<ul style="list-style-type: none"> <li>All Members of the Board (including INEDs) have disclosed to the Company in a timely manner the number and nature of offices held by them in public companies or organisations and other significant commitments, as well as their identity and the time involved.</li> <li>There is no overboarding issue (i.e. holding of seven or more listed company directorships).</li> </ul>
Cross-directorship	Certain Members of the Board have common directorships as INEDs in the Company and other companies/bodies. The Nominations Committee has assessed the said cross-directorships and confirmed that they should not undermine the independence of the relevant INEDs.
Interest in the shares of the Company	None of the INEDs, nor any of their family members, holds more than 1% of the total number of the issued shares of the Company.

Save as disclosed in this Annual Report, none of the Members of the Board or the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) with another Member of the Board or the Executive Directorate or holds any cross-directorships. In addition, none of the Members of the Board holds seven (or more) directorships in listed companies (including the Company) or has significant links with other Members of the Board through involvements in other companies or bodies as at 31 December 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code"). After having made specific enquiry, the Company confirms that all Members of the Board and (where applicable) their Alternate Directors and all Members of the Executive Directorate have complied with the Model Code throughout the year.

Senior managers, other nominated managers and staff who, because of their office in the Company, may be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) of the Company (collectively the "Model Code Managers"), have also been requested to comply with the provisions of the Model Code.

For enhanced monitoring and effectiveness, the Company has implemented an electronic platform "Model Code Managers Management System" to provide one-stop access to the relevant key processes to support compliance with the Model Code. Periodic training is also required to be completed by Model Code Managers, with the latest training being provided in February 2023.

## DIRECTORS' INSURANCE

As permitted under the Articles of Association, it has been the practice of the Company to arrange Directors' and Officers' ("D&O") Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess. To ensure sufficient cover is provided, the Company undertakes an annual review of the

Company's D&O insurance policy in light of recent trends in the insurance market and other relevant factors. The review benchmarks the amount of cover against other similar companies and considers whether separate cover will be required for Members of the Executive Directorate or Members of the Board. The conclusion of the review in year 2022 was that the level of cover was adequate and, given this, together with the indemnity provided by the Company to Members of the Board, the broad policy wording and the financial strength of the insurance panel, no additional cover was required.

## CORPORATE GOVERNANCE FUNCTIONS REVIEW

During the year, the Board conducted an annual review of its Corporate Governance duties in accordance with its terms of reference on Corporate Governance Functions. Below is a summary of the work performed during the year ended 31 December 2022:

- Reviewed the purpose, values and strategy established by the Company;
- Developed and reviewed the Company's policies and practices on corporate governance, including the corporate governance framework, the BD Policy and the Nomination Policy;
- Reviewed and monitored the training and continuous professional development of Members of the Board and senior management;
- Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- Developed and reviewed and monitored the Code of Conduct and Directors' Manual; and
- Reviewed the Company's compliance with the CG Code.

As at the date of this Report, the Board has reviewed the Company's culture to ensure alignment with the Company's purpose, values and strategy and has also reviewed the implementation and effectiveness of the Shareholders' Communication Policy.

The Board considers that, overall, the Company's Corporate Governance Functions remain adequate and appropriate for the Company in light of its current corporate strategy. They will be kept under review in light of the changing legal and regulatory environment and any changes to the Company's business.

The terms of reference on Corporate Governance Functions updated in January 2022 are available on the websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

## BOARD PROCEEDINGS

The Board generally meets in person regularly. In light of the prolonged Coronavirus Disease 2019 ("COVID-19") pandemic situation, electronic means have also been provided to Members of the Board to facilitate them to participate in meetings virtually, which is permissible under the Articles of Association. The same arrangements also applied to meetings of Board Committees and Executive Committee meetings. The Company's introduction of an electronic meeting solution for Board meetings and Executive Committee meetings in 2017, which has subsequently been expanded to meetings of Board Committees, has also enabled all Members of the Board, Board Committees and the Executive Committee to access meeting documents and join virtual meetings remotely in a secure, efficient and convenient manner.

All Members of the Board have full and timely access to relevant information and may take independent professional advice at the Company's expense, if necessary. Members of the Board also have full access to Members of the Executive Directorate as and when they consider necessary.

The draft agenda for Board meetings is prepared by the Company Secretary and approved by the Chairman of the Company. Members of the Board are advised to inform the Chairman or the Company Secretary not less than one week before the relevant Board meeting if they wish to include a matter in the agenda of the meeting. The agenda, together with Board Papers, are usually sent at least three days before the intended date of the Board meeting.

The Board meeting dates for the following year are usually fixed by the Company Secretary with the agreement of the Chairman, before communicating with other Members of the Board, in the third quarter of each year.

At regular Board meetings, Members of the Executive Directorate together with senior managers report to the Board on their respective areas of business.

The CEO Report, provided to the Board on a monthly basis, covers the overall strategies, progress updates on the Company's transformation and Corporate Strategy implementation as well as innovation and technology implementation, principal issues (including topical issues such as the impact of the pandemic on the Company's business in different jurisdictions) and key events of the Company for the relevant month and provides key information in areas such as the Group's safety performance in different business sectors, financial activities, contingent liabilities, human resources developments, new railway projects and most recently highlights of asset maintenance works, as well as a look ahead to key issues or events in the following three to six months. This CEO Report together with the discussions at Board meetings, ensures that Members of the Board have an overall understanding of the Company's business and other key information about the Company, and provides up-to-date information to enable them to make informed decisions for the benefit of the Company.

## MATERIAL INTERESTS AND VOTING

All Members of the Board and the Executive Directorate are required to comply with their common law duty to act in the best interests of the Company and have particular regard to the interest of the Company's shareholders as a whole. To this end, all of them are required to declare the nature and extent of their interests, if any, in any contract, transaction, arrangement or other proposal to be considered by the Board at Board meetings.

In addition, before each regular Board meeting, the Company reminds each Member of the Board to update his/her "Declaration of Other Directorships, Major Appointments and Interests" (the "Declaration"). The Declaration of each Alternate Director is sent to him/her for update on a quarterly basis. Also, each Member of the Board and each Alternate Director is required to confirm his/her other directorships, major appointments and interests to the Company twice a year.

Unless specifically permitted by the Articles of Association, a Member of the Board cannot cast a vote on any contract, transaction, arrangement or any other kind of proposal in which he/she has an interest which he/she knows is material. For this purpose, the interests of a person who is connected with a Member of the Board (including any of his/her associates) are treated as the interests of the Member of the Board himself/herself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. A Member of the Board may not be included in the quorum for such part of a meeting that relates to a resolution he or she is not allowed to vote on but he or she shall be included in the quorum for all other parts of that meeting. This reduces potential conflicts which might otherwise arise between the Company's business and an individual Member of the Board's other interests or appointments.

If a conflict arises between the interests of the Company and those of Government, each Government-nominated Director and any Director holding a senior Government position, is not included in the quorum for that part of the meeting which relates to the contract, transaction, arrangement or other proposal being considered by the Board and in relation to which the conflict exists and is not allowed to vote on the related resolution. Where appropriate, Government-nominated Directors and any Directors holding a senior Government position will be excused from attendance for discussion of a particular item.

There are a number of contractual arrangements that have been entered into between the Company and Government (and/or its related entities), some of which are continuing in nature. As Government is a substantial shareholder of the Company, such contractual arrangements are connected transactions (and in some cases continuing connected transactions) for the purposes of the Listing Rules. The sections headed “Connected Transactions” and “Continuing Connected Transactions” (pages 176 to 198) of this Annual Report explain how, in accordance with the Listing Rules, these transactions have been treated.

Matters to be decided at Board meetings are decided by a majority of votes from Members of the Board allowed to vote, although the usual practice is that decisions reflect the consensus of the Board.

## BOARD MEETINGS

The Board held ten meetings in 2022 (seven Regular Meetings and three Special Meetings), well exceeding the requirement of the CG Code which requires every listed issuer to hold board meetings at least four times a year.

In addition and as required by the Listing Rules, the Chairman has met with INEDs only without the presence of other Members of the Board during the year, at which matters surrounding the operations of the Board and Board Committees, further enhancement of the information presented to the Board, the Board’s oversight in respect of major projects, progress of the transformation programme, the Corporate Strategy (especially relating to the Company’s Mainland China and International Businesses), prioritisation of major projects and resource allocations, safety performance and progress made on Environmental, Social and Governance matters were discussed.

### Regular Meetings

At each Regular Meeting, the Board reviewed, discussed and, where appropriate, approved matters relating to the Company’s different businesses and financial and operational performance.

In addition, other key matters discussed at the Regular Board meetings held in 2022 included:

- Corporate Strategy:
  - Receipt of progress report and updates on the corporate transformation programme;
- Environmental, Social and Governance:
  - Annual review of the structure, size and composition of the Board and its corporate governance functions for 2021; annual assessment of (i) the independence of the INEDs; and (ii) the effectiveness of the Company’s risk management and internal control systems for 2021;
  - Recommendation of the appointment of new Members of the Board, re-election of retiring Members of the Board, and amendments to the Articles of Association for approval by shareholders at the 2022 AGM;
  - Approval of (i) changes to the structure of the Board Committees and the establishment of a new Advisory Panel, including the adoption of relevant terms of reference, and approval of memberships and associated fees; (ii) amendments to the Protocol; (iii) appointment of an advisor to the Capital Works Committee; and (iv) annual update to the Directors’ Manual;
  - Approval of amendments to the Nomination Policy and the BD Policy of the Company;
  - Approval of 2021 Sustainability Report;
  - Receipt of Carbon Reduction Study and approval of the setting of science-based carbon emission reduction targets; and
  - Receipt and consideration of reports from Management on key matters such as corporate safety governance and enterprise risk management;

- Hong Kong Transport Services:
  - Review of report on the 2021 Hong Kong Transport Service Performance;
  - Approval of fares for the East Rail Line Cross Harbour Extension;
  - Receipt of status updates on a major resignalling project, and approval of additional funding requests for the project;
  - Receipt of an update on the project delivery strategy and procurement approach relating to the signalling works for certain railway lines and projects;
  - Approval of a major licence renewal; and
  - Approval of the Company's fare adjustment principles in 2022 under the Fare Adjustment Mechanism ("FAM") and receipt of a progress update on the 2023 FAM review;
- Capital Works:
  - Approval of the budget for the advance works of certain new railway projects;
  - Receipt of updates on the project agreement for a new railway project; and
  - Approval of the technical and financial submission proposals for a proposed railway project;
- Property:
  - Approval of contract award for the fit out works of a property development in Hong Kong;
  - Approval of tender arrangements for certain property developments in Hong Kong;
  - Receipt of progress updates on a new property development; and
  - Approval of a major lease renewal;
- Mainland China and International Businesses:
  - Receipt of annual business updates, business development, strategy updates and/or long term plans of the Mainland China, Macao and International businesses; and
  - Receipt of an update on the opening of the Central Section of the Elizabeth Line in the United Kingdom;

- New Growth Engine:
  - Approval of an investment cap for the New Growth Engine business;
- Financial:
  - Review and approval of the 2021 Annual Report and the 2022 Interim Report and financial statements;
  - Receipt of updates on the financial impact of COVID-19;
  - Approval of the renewal of the US\$7 Billion Debt Issuance Programme; and
  - Approval of the 2023 Budget and 10-Year Forecast;
- Human Resources:
  - Receipt of report on Employee Engagement Survey and actions planned; and
  - Approval of 2022 Annual Pay Review.

## Special Meetings

During 2022, three Special Meetings were held to consider and, where appropriate, approve the transactions and associated agreements relating to the full operation of the Shatin to Central Link, the way forward and additional funding for a resignalling project, the project agreement for a new railway project and the Oyster Bay Property Development.

The minutes of Board meetings are prepared by the Company Secretary or her delegate with details of the matters considered by the Board and decisions reached, including any concerns raised by Members of the Board or dissenting views expressed. The draft minutes are circulated to all Members of the Board for their comments within a reasonable time after the meeting. The approval procedure is that the Board formally adopts the draft minutes at the subsequent meeting. If Members of the Board have any comments on the draft minutes, they will discuss it at that meeting and any agreed changes will be reflected in the formal minutes of the relevant meeting. Minutes of Board meetings are kept by the Company Secretary and are open for inspection by all Members of the Board at the Company's registered office.

The attendance record of each Member of the Board (and each Member of the Executive Directorate) during the year is set out on pages 120 to 122 of this Report.

## Members of the Board and the Executive Directorate Attendance of Meetings and Training in 2022

	Attendance										
	Board Meetings		Board Committees/Advisory Panel Meetings							2022 AGM	Training <sup>a</sup>
	RM	SM	A&RC	NC	RC	CWC	E&SRC	F&IC	TAP		
<b>Total Number of Meetings</b>	7	3	4	2	2	4	2	7	3	1	
<b>Members of the Board</b>											
<b>Non-executive Directors ("NED")</b>											
Dr Rex Auyeung Pak-kuen (Chairman) <sup>(1)</sup>	7/7	3/3		2/2	2/2		2/2 <sup>c</sup>			1/1	√
Christopher Hui Ching-yu <sup>(2)</sup> (Secretary for Financial Services and the Treasury)	6/7	1/3		0/1	1/2			4/7		0/1	√
Secretary for Transport and Logistics (Lam Sai-hung) <sup>(3)</sup>	4/4	0/2		1/1						N/A*	√
Permanent Secretary for Development (Works) (Ricky Lau Chun-kit) <sup>(4)</sup>	3/7	1/3		0/1		2/4				0/1	√
Commissioner for Transport (Rosanna Law Shuk-pui) <sup>(5)</sup>	6/7	1/3	2/4						2/3	0/1	√
<b>Independent Non-executive Directors ("INED")</b>											
Andrew Clifford Winawer Brandler <sup>(6)</sup>	6/7	1/3	4/4					7/7 <sup>c</sup>		1/1	√
Dr Bunny Chan Chung-bun <sup>(7)</sup>	7/7	3/3					2/2	7/7		1/1	√
Walter Chan Kar-lok <sup>(8)</sup>	7/7	3/3		2/2		3/3				1/1	√
Dr Pamela Chan Wong Shui	7/7	3/3		2/2 <sup>c</sup>			2/2			1/1	√
Dr Dorothy Chan Yuen Tak-fai	7/7	3/3			2/2 <sup>c</sup>	4/4				1/1	√
Cheng Yan-kee	7/7	3/3			2/2	4/4 <sup>c</sup>				1/1	√
Hui Siu-wai <sup>(9)</sup>	7/7	3/3	4/4			4/4				1/1	√
Sunny Lee Wai-kwong <sup>(10)</sup>	4/4	2/2		1/1					2/2	N/A*	√
Dr Rose Lee Wai-mun <sup>(11)</sup>	5/7	3/3	1/1		1/1			7/7		1/1	√
Jimmy Ng Wing-ka <sup>(12)</sup>	6/7	3/3		1/1		1/1	2/2			1/1	√
Carlson Tong <sup>(13)</sup>	4/4	1/2	3/3 <sup>c</sup>					5/5		N/A*	√
Adrian Wong Koon-man <sup>(14)</sup>	7/7	3/3	4/4	1/1	1/1			2/2		1/1	√
Johannes Zhou Yuan <sup>(15)</sup>	7/7	3/3	4/4						3/3 <sup>c</sup>	1/1	√
<b>Executive Director ("ED")</b>											
Dr Jacob Kam Chak-pui (CEO)	7/7	3/3					2/2			1/1	√
<b>Members of the Executive Directorate &amp; the Executive Committee</b>											
Dr Jacob Kam Chak-pui (CEO)	7/7	3/3					2/2			1/1	√
Adi Lau Tin-shing										0/1	√
Margaret Cheng Wai-ching							2/2			1/1	√
Linda Choy Siu-min										1/1	√
Carl Michael Devlin <sup>(16)</sup>										N/A*	√
Herbert Hui Leung-wah										1/1	√
Dr Tony Lee Kar-yun										1/1	√
Gillian Elizabeth Meller							2/2			1/1	√
David Tang Chi-fai										1/1	√
Jeny Yeung Mei-chun										0/1	√
<b>Members departed during 2022</b>											
<b>NED</b>											
Secretary for Transport and Housing (Frank Chan Fan) <sup>(17)</sup>	2/3	0/1		0/1	0/2					0/1	x
<b>INED</b>											
Dr Anthony Chow Wing-kin <sup>(18)</sup>	3/3	1/1			1/1	1/1				0/1	√
Dr Eddy Fong Ching <sup>(19)</sup>	3/3	1/1	1/1	1/1				1/2		1/1	√
Benjamin Tang Kwok-bun <sup>(20)</sup>	3/3	1/1			1/1				1/1	1/1	√
<b>Member of the Executive Directorate &amp; the Executive Committee</b>											
Roger Francis Bayliss <sup>(21)</sup>										1/1	√



Legend:

**Board Meetings**

**RM** – Regular Meeting(s)

**SM** – Special Meeting(s)

**Board Committees/Advisory Panel Meetings**

**A&RC** – Audit & Risk Committee

**NC** – Nominations Committee

**RC** – Remuneration Committee

**CWC** – Capital Works Committee

**E&SRC** – Environmental & Social Responsibility Committee

**F&IC** – Finance & Investment Committee

**TAP** – Technology Advisory Panel

**2022 AGM** – Annual General Meeting of the Company held on 25 May 2022

**N/A** – Not applicable

**\*** – appointed after the conclusion of 2022 AGM

**C** – Chairman of the Board committee/advisory panel

**Ω** – This includes (i) continuous professional development through attending expert briefings/seminars/conferences relevant to the Company's business or directors' duties arranged by the Company or external organisations, and reading regulatory/corporate governance or industry related updates; and (ii) induction and familiarisation programmes attended by newly appointed Directors

Notes:

- Dr Rex Auyeung Pak-ken has been re-appointed by the Financial Secretary Incorporated as the Chairman of the Board for a period of two and a half years starting from 1 January 2022 to 30 June 2024 (both dates inclusive).*
- Mr Christopher Hui Ching-yu (Secretary for Financial Services and the Treasury) was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022.*

*The alternate directors of Mr Hui, acting on his behalf, attended one RM, one NC meeting, one RC meeting and two F&IC meetings. Mr Hui was not present at those Board meetings or a portion thereof and a F&IC meeting at which the Northern Link Spur Line, Tung Chung Line Extension, Oyster Bay Property Development project and/or Shatin to Central Link project were discussed for avoidance of any actual or perceived conflict of interest.*
- The office of the Secretary for Transport and Logistics ("S for T&L") became a NED and was appointed by the Board as a member of each of the NC and the RC of the Company, all with effect from 1 July 2022. Mr Lam Sai-hung, who holds the post of the S for T&L, by virtue of holding such post, became a NED and a member of each of the NC and the RC of the Company, all with effect from the same date.*

*The alternate director of S for T&L (Mr Lam Sai-hung), acting on his behalf, attended one SM. Mr Lam was not present at those Board meetings or a portion thereof at which the Tung Chung Line Extension and/or Oyster Bay Property Development project was discussed for avoidance of any actual or perceived conflict of interest.*
- The office of the Permanent Secretary for Development (Works) ("PS for D(W)") (Mr Ricky Lau Chun-kit) was appointed by the Board as a member of the NC of the Company and ceased to be a member of the then RiskC, both with effect from 1 February 2022.*

*The alternate director of PS for D(W) (Mr Ricky Lau Chun-kit), acting on his behalf, attended four RM, one NC meeting and two CWC meetings. Mr Lau or his alternate director were not present at those Board meetings or a portion thereof at which the Northern Link Spur Line, Tung Chung Line Extension, Oyster Bay Property Development project and/or Shatin to Central Link project were discussed for avoidance of any actual or perceived conflict of interest.*
- The office of the Commissioner for Transport ("C for T") (Miss Rosanna Law Shuk-pui) was appointed by the Board as a member of the TAP of the Company and ceased to be a member of the then RiskC, both with effect from 1 February 2022.*

*The alternate director of C for T (Miss Rosanna Law Shuk-pui), acting on her behalf, attended one RM, two A&RC meetings and one TAP meeting. Miss Law was not present at those Board meetings or a portion thereof at which the Northern Link Spur Line, Tung Chung Line Extension, Oyster Bay Property Development project and/or Shatin to Central Link project were discussed for avoidance of any actual or perceived conflict of interest.*
- Mr Andrew Brandler was appointed by the Board as a member and the chairman of the F&IC of the Company and ceased to be a member and the chairman of the then RiskC, all with effect from 1 February 2022.*
- Dr Bunny Chan Chung-bun was appointed by the Board as a member of the F&IC of the Company with effect from 1 February 2022.*
- Mr Walter Chan Kar-lok was appointed by the Board as a member of the CWC of the Company and ceased to be a member of the then CRC, both with effect from 1 February 2022.*
- Mr Hui Siu-wai was appointed by the Board as a member of the A&RC of the Company and ceased to be a member of the then RiskC, both with effect from 1 February 2022.*
- Mr Sunny Lee Wai-kwong was elected as a Member of the Board and became an INED with effect from the conclusion of the 2022 AGM, and was appointed by the Board as a member of each of the NC and the TAP of the Company, both with effect from the same date.*
- Dr Rose Lee Wai-mun was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the then RiskC, both with effect from 1 February 2022. She was then appointed by the Board as a member of the RC of the Company and ceased to be a member of the A&RC of the Company, both with effect from 25 May 2022.*
- Mr Jimmy Ng Wing-ka was appointed by the Board as a member of the NC of the Company and ceased to be a member of the CWC of the Company, both with effect from 1 February 2022.*
- Mr Carlson Tong was elected as a Member of the Board and became an INED with effect from the conclusion of the 2022 AGM, and was appointed by the Board as a member and the chairman of the A&RC of the Company and a member of the F&IC of the Company, all with effect from the same date.*
- Mr Adrian Wong Koon-man was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022. He was then appointed by the Board as a member of the RC of the Company and ceased to be a member of the F&IC of the Company, both with effect from 25 May 2022.*
- Mr Johannes Zhou Yuan was appointed by the Board as a member and the chairman of the TAP of the Company and ceased to be a member of the then RiskC, all with effect from 1 February 2022.*
- Mr Carl Michael Devlin was appointed as the Capital Works Director and a Member of the Executive Directorate of the Company, both with effect from 1 August 2022.*



17. *The office of the then Secretary for Transport and Housing ("the then S for T&H") (held by Mr Frank Chan Fan until 30 June 2022) ceased to be a NED and a member of each of the NC and the RC of the Company, all with effect from 1 July 2022.*

*The alternate directors of the then S for T&H (Mr Frank Chan Fan), acting on his behalf, attended one RM, one NC and two RC meetings. Mr Chan and his alternate director were not present at those Board meetings or a portion thereof at which the Northern Link Spur Line, Tung Chung Line Extension and/or Shatin to Central Link project were discussed for avoidance of any actual or perceived conflict of interest.*

18. *Dr Anthony Chow Wing-kin was appointed by the Board as a member of the NC of the Company and ceased to be a member of the CWC of the Company, both with effect from 1 February 2022. He retired as an INED, and a member of each of the NC and the RC of the Company, all with effect from the conclusion of the 2022 AGM.*

19. *Dr Eddy Fong Ching was appointed by the Board as a member of the F&IC of the Company and ceased to be a member of the NC of the Company, both with effect from 1 February 2022. He retired as an INED, a member and the chairman of the A&RC of the Company, and a member of the F&IC of the Company, all with effect from the conclusion of the 2022 AGM.*

20. *Mr Benjamin Tang Kwok-bun was appointed by the Board as a member of the TAP of the Company and ceased to be a member of the then RiskC, both with effect from 1 February 2022. He retired as an INED, and a member of each of the RC and the TAP of the Company, all with effect from the conclusion of the 2022 AGM.*

21. *Mr Roger Francis Bayliss retired from the Company upon the completion of his service agreement with the Company immediately after 31 July 2022, and ceased to be the Capital Works Director and a Member of the Executive Directorate of the Company at the same time.*

## INDUCTION PROGRAMME AND OTHER TRAINING

### Induction Programme

On appointment, each new Member of the Board (including Government-nominated Directors), Alternate Director and Member of the Executive Directorate is given a comprehensive, formal and tailored induction programme which covers:

- the roles of a director from the strategic, planning and management perspectives, as well as the essence of corporate governance and the trends in these areas; and
- the general and specific duties of a director under general law (common law and legislation) and the Listing Rules.

In addition to the above, a familiarisation programme to understand the key areas of the Company's business and operations is also provided.

All Members of the Board, Alternate Directors and Members of the Executive Directorate are also provided with a Directors' Manual on their appointment which sets out, amongst other things, directors' roles and responsibilities, their key obligations from both a statutory and a regulatory perspective, the terms of reference of the Board on its Corporate Governance Functions and the terms of reference of the Board Committees and Advisory Panel. The Directors' Manual is updated regularly to keep the contents up to date so that the Directors are kept abreast of changes and latest developments in the laws and regulations that are relevant to Directors and the Company. The latest updates to the Directors' Manual, approved by the Board in January 2023, covered (i) certain reminders to Directors in the areas of corporate governance and directors' duties and responsibilities covering directors' training, good record-keeping and corporate culture; (ii) the Terms of Reference of the Executive Committee which were formalised in 2022; and (iii) miscellaneous housekeeping updates.

## Training and Continuous Professional Development

### Members of the Board and the Executive Directorate

To assist Members of the Board and the Executive Directorate in continuing their professional development, the Company Secretary recommends them to attend relevant seminars and courses at the cost of the Company.

### Board Visit

In April 2022, certain Members of the Board and the Executive Directorate visited Exhibition Centre and Admiralty stations to gain a first hand understanding of the railway operations of the East Rail Line Cross-Harbour Extension.

### Training

Materials on the subject of corporate governance and e-learning provided by the Stock Exchange and other professional firms and institutes are also provided/notified to Members of the Board, Alternate Directors and Members of the Executive Directorate from time to time to keep them abreast of the latest developments on this front.

Each Member of the Board and the Executive Directorate has provided to the Company a record of the training he/she has received during the year, which is set out on pages 120 to 122 of this Report.

### Senior Executives

A comprehensive and tailored training programme has been developed for the Senior Executives of the Company. This programme consists of a series of workshops, seminars and e-learning which are organised on an on-going basis.

To support the enhancement of the business acumen, leadership and management skills of the Senior Executives, professors from renowned business schools and companies are engaged to share cutting-edge research and insights on thought leadership, leading change, digital transformation and innovation as well as contemporary management and business topics. Partnering with overseas business schools, various self-paced online executive programmes were also organised in 2022 to enable senior leaders to expand their business skills and connect with world-class professors and experienced executives from around the globe.

In early February 2023, the Company has arranged an external law firm to provide a briefing on connected transactions and continuing connected transactions to managerial or above staff to promote understanding of the relevant requirements under the Listing Rules.

## FINANCIAL REPORTING

Members of the Board are responsible for preparing the consolidated financial statements of the Group. The consolidated financial statements are prepared on a going concern basis and give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended. In preparing the consolidated financial statements for the year ended 31 December 2022, Members of the Board have selected appropriate accounting policies and have applied them consistently with previous financial periods, apart from those new and amended accounting policies effective from 1 January 2022 as disclosed in the notes to the consolidated financial statements for the year ended 31 December 2022. Judgments and estimates that have been made are prudent and reasonable. The reporting responsibilities of the external auditor of the Company (the "External Auditor") are set out on page 131 of this Report.

In support of the above, the consolidated financial statements presented to the Board have been reviewed by Members of the Executive Directorate. For both the annual and interim reports and consolidated financial statements, the Finance Function is responsible for clearing them with the External Auditor and the Audit & Risk Committee. In addition, all new and amended accounting standards and requirements, as well as any changes in accounting policies adopted by the Group, have been discussed and reviewed by the Audit & Risk Committee before adoption by the Group.

Members of the Board endeavour to ensure a balanced, clear and coherent assessment of the Group's consolidated financial position and performance in annual reports, interim reports, inside information announcements, and other financial disclosures required under the Listing Rules and other statutory requirements.



## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the risk management and the internal control systems of the Company and its subsidiaries and reviewing their effectiveness on an annual basis. With the assistance of the Audit & Risk Committee as mentioned in the Audit & Risk Committee Report on pages 135 to 137 of this Annual Report, the Board oversees the Company's risk management system (the "ERM" system) and internal control system on an on-going basis, sets appropriate policies and reviews the effectiveness of the systems at least annually.

Over the course of 2022, the Company has strengthened its Second Line of Defence through the independent Assurance Management Department, complemented by the technical and engineering Centres of Excellence, and Strategic Assurance Review Board, which serves to coordinate and focus assurance activities on material risks as well as to highlight any insights or concerns to relevant Executives.

The ERM system and the internal control system, with processes put in place by the Board, management and other personnel, are designed to manage (as opposed to eliminate) risk and provide reasonable assurance, not absolute assurance, against material misstatement or loss, regarding the achievement of objectives in the following areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Effectiveness of risk management

### Systems Overview

The Executive Committee is responsible for:

- Implementing the Board's policies on risk management and internal controls;
- Identification and evaluation of the risks faced by the Company for consideration by the Board;
- Designing, operating and monitoring a suitable internal control system and risk management system; and
- Providing assurance to the Board that it has done so, together with a confirmation that these systems are effective and adequate.

In addition, all employees have responsibility for risk management and internal controls within their areas of accountability.

### Business/Functional Management Committees

A number of committees have been established to assist the Executive Committee in the management and control of the Company's various core businesses and functions. Each committee has its own terms of reference which, together with the structure and composition of the committees, are reviewed from time to time to ensure they meet the Company's business and operational needs.

### Internal Audit

The Head of Internal Audit reports directly to the Board via the Audit & Risk Committee and reports administratively to the CEO. The Internal Audit Department ("IAD") has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes.

On a regular basis, it conducts audits on financial, operational and compliance controls and the risk management functions of the Company and its subsidiaries. Relevant members of the management team are responsible for ensuring that control deficiencies highlighted in internal audit reports are rectified within a reasonable time.

The IAD produces an annual internal audit plan for the Audit & Risk Committee's approval. The audits are selected based on risk assessment of the Company's audit universe to ensure that business activities with higher risks are covered. On a quarterly basis, the Head of Internal Audit reports to the Audit & Risk Committee on major observations identified in audit reviews and the implementation progress of audit recommendations, together with her opinion on the adequacy and effectiveness of the Company's internal control system.

## ERM system

The ERM system is an essential and integral part of the Company's corporate governance framework and helps to sustain business success and create value for stakeholders. It involves a corporate-wide systematic risk identification and management process which aims to assist the Executive Committee and individual business unit managers to manage the key risks facing the Company and supports the Board in discharging its corporate governance functions.

More details of the features of the ERM system, the process used to identify, evaluate and manage significant risks, the significant risks being managed and the process used to review the effectiveness of the ERM system are set out in the "Risk Management" section (pages 138 to 142) of this Annual Report.

## Control Activities and Processes

To ensure the efficient and effective operation of business units and functions and the safety of the operating railway and construction works in railway projects, CGI(s), Business Units'/Functions'/Departments' procedures and manuals, committees, working groups and quality assurance units are established to monitor and enforce internal controls and evaluate their effectiveness.

CGIs and various Departments' procedures and manuals are established for preventing or detecting unauthorised expenditures/payments, safeguarding the Company's assets, ensuring the accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

Directors and Department Heads of Business Units/ Functions, including General Managers/Project Managers for overseas subsidiaries/projects, are required to conduct annual assessments and certifications on the effectiveness of risk management and internal control systems within their areas of responsibility.

## Compliance with Statutes and Regulations

All Department Heads, including General Managers/ Project Managers for overseas subsidiaries/projects, are responsible for ensuring compliance with the statutes and regulations applicable to their own functional units in accordance with the Regulatory Compliance Framework, with necessary legal support.

Issues relating to compliance with statutes and regulations, including potential and actual non-compliances, and the status of rectifications and actions taken to prevent recurrence are reported annually to the Executive Committee and the Audit & Risk Committee.

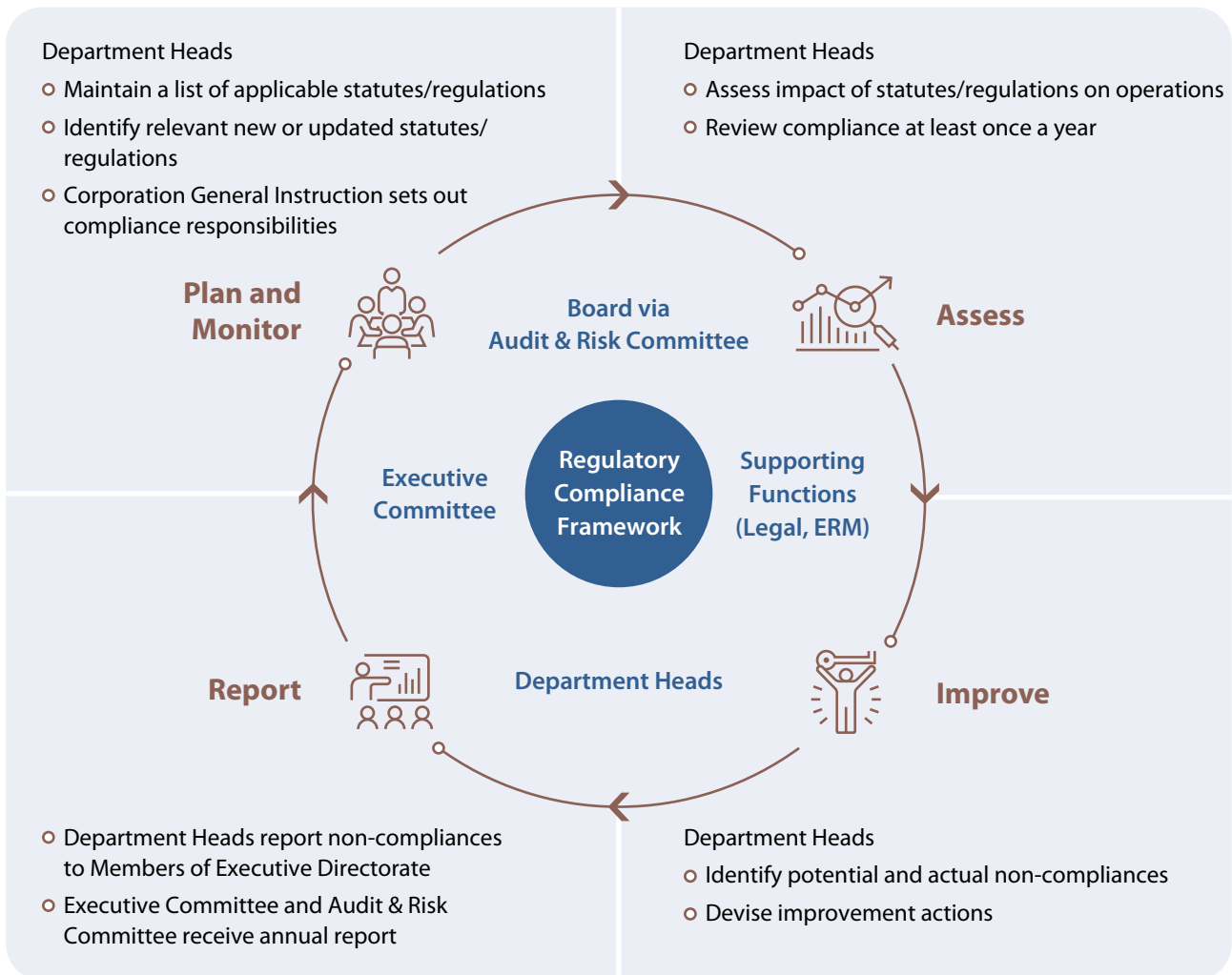


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### Whistle-blowing Policy

A whistle-blowing policy, which is available on the Company's website ([www.mtr.com.hk](http://www.mtr.com.hk)), has been put in place to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Company's policies that have or could have significant adverse financial, legal or reputational impacts on the Company. The whistle-blowing policy is regularly reviewed by the IAD. The whistle-blowing channel is available to all staff, parties who deal with the Company as well as the general public. Every quarter, a summary of all whistle-blowing cases handled by the Whistle-blowing Panel, staff complaints handled by the Human Resources Management Department and management initiated investigations are reported to the Executive Committee and the Audit & Risk Committee.

### Inside Information Policy

The Company has developed a system with established policies, processes and procedures across all relevant Functions, Business Units and Departments for the handling and dissemination of Inside Information, which encompasses the following:

- A CGI setting out:
  - (i) the internal processes for identifying, assessing and escalating potential Inside Information to the Executive Committee and the Board;

- (ii) the responsibilities of Model Code Managers in preserving the confidentiality of Inside Information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and
- (iii) the process for disclosure of Inside Information; and
- Training for Members of the Board and the Executive Directorate, Executive Managers, Department Heads and Model Code Managers is provided from time to time. In particular, Members of the Executive Directorate, Executive Managers, Department Heads and Model Code Managers are regularly required to complete an online training programme on Inside Information. To refresh their awareness of the Inside Information policy, a new mandatory online training programme was launched in October 2022.

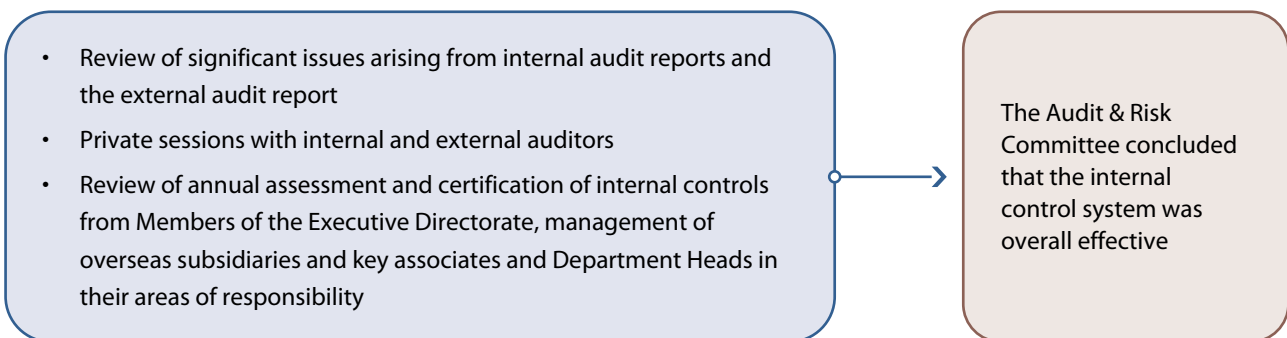
## Evaluation of the Effectiveness of the Risk Management System

The Company has surpassed the relevant requirement in the CG Code by completing an effectiveness review of the ERM system for the Company and its subsidiaries, and extending the review to the Company's key associates operating in Mainland China and overseas. For the year ended 31 December 2022, the Audit & Risk Committee, with delegated authority from the Board, has evaluated the effectiveness of the ERM system of the Company and considers that it is overall effective and adequate.

Details about the "Process of System Effectiveness Review" are set out in the Risk Management section (page 141) of this Annual Report.

## Evaluation of the Effectiveness of the Internal Control System

For the year ended 31 December 2022, the annual review of the effectiveness of the internal control system of the Company and its subsidiaries and key associates was performed by the Audit & Risk Committee based on the following:



## Evaluation of the Adequacy of Resources of the Company's Accounting, Financial Reporting and Internal Audit Functions and for ESG Performance and Reporting

For the year ended 31 December 2022, the annual assessments performed by the Finance Function, IAD and the Environmental & Social Responsibility Team concluded that there were adequate resources, staff qualifications and experience, training programmes and budgets for the Company's accounting, financial reporting, internal audit and ESG performance and reporting functions respectively.

The Company is committed to recruit, train and develop a team of qualified and competent accountants for overseeing the Group's financial reporting and other accounting-related matters. A process to capture and update relevant laws, rules and regulations applicable to the financial reporting and accounting function is in place. Designated officers will ensure relevant standards and ordinances including Hong Kong Financial Reporting Standards, the Listing Rules and the Companies Ordinance under their responsibility are complied with. Resources and provisions required to deliver the accounting and financial reporting function are critically reviewed during the annual budgeting exercise. Company-wide recruitment processes and staff development programmes are in place to address the competency, qualifications and experience required. Adherence to the process is confirmed on an annual basis by the designated officers to the Finance Director, who will conduct a formal annual review and report the review results to the Audit & Risk Committee.

In terms of internal audit, the Company is also committed to recruit, train and develop a team of qualified and competent internal auditors to provide independent and objective assurance along with consulting services designed to add value and improve the Company's operations. A process to capture updated standards and best practices relating to internal audit is in place. Proper recruitment processes and staff development programmes are also in place to address the competency, qualifications and experience required. The Head of Internal Audit conducts a formal annual review on the adequacy of staff resources, qualifications and experience of the internal audit function and reports the results to the Audit & Risk Committee.

In terms of ESG performance and reporting, the Company is also committed to recruiting, training and developing a team of qualified and competent specialists for overseeing the implementation of the Company's ESG initiatives, enhancing and monitoring ESG performance and preparing ESG reports and other disclosures. A process to capture and update laws, regulations, standards and best practices applicable to the Company's ESG performance and reporting is in place. Designated officers will ensure relevant ordinances, regulations and standards under their responsibility are complied with. Resources and provisions required to deliver the ESG performance and reporting function are reviewed during the annual budgeting exercise by respective business units and corporate functions. Proper recruitment processes and staff development programmes are in place to address the competency, qualifications and experience required. The Legal and Governance Director will conduct a formal annual review on the adequacy of staff resources, qualifications and experience of staff involved in delivering the Company's ESG performance and reporting function and report the review results to the Audit & Risk Committee as part of the report on risk management and internal control systems effectiveness.

Based on the above, the Audit & Risk Committee considers that the resources, qualifications and experience of staff, training programmes and budgets for the Company's accounting, financial reporting, and internal audit functions, as well as for the ESG performance and reporting functions are adequate.



## Board's Annual Review

The Board has, through the Audit & Risk Committee, overseen the Company's risk management and internal control systems on an on-going basis. The Board has conducted its annual review of the risk management and internal control systems of the Company and its subsidiaries and key associates for the year ended 31 December 2022, and considers that such systems are overall effective and adequate, with supporting compliance mechanisms to provide assurance that the Company and its officers observe their disclosure obligations in respect of Inside Information.

The Board has also conducted a review of the adequacy of resources, staff qualifications and experience, training programmes and budgets for the Company's accounting, financial reporting and internal audit functions, as well as the ESG performance and reporting functions for the year ended 31 December 2022, and considers the above resource components to be adequate.

## CRISIS MANAGEMENT

To uphold the reputation of being one of the world's leading railway operating companies and in order to ensure that the Company will respond to and recover from crises in an organised and highly effective manner, the Company has established a mechanism to activate pre-defined levels of crisis response in the event of a crisis which enable timely communication with principal stakeholders such as Government departments and shareholders. The Corporate Crisis Management Team comprises relevant Members of the Executive Directorate and Executive Managers and its operation is governed by a Corporate Crisis Management Plan which, among other things, sets out the duties of respective members. The Corporate Crisis Management Plan is kept in line with world-class standards and up-to-date through regular reviews. The operation of the Corporate Crisis Management Team is aided by an information system, which keeps track of the latest situation, issues and strategic actions, and disseminates crisis related information. Regular Corporate Crisis Management Team exercises are held to validate the corporate crisis management mechanism and to provide practice for members.

To further enhance the Corporate Crisis Management Framework, a review was conducted in 2021 on the crisis response structure, to which the Business Unit Crisis Response level was added to provide additional granularity and agility in crisis response. The enhanced Framework was implemented along with the new issue of the Corporate Crisis Management Plan (Version 2.0) in March 2022.

In 2022, in response to the prolonged COVID-19 pandemic, the Corporate Crisis Management Team delegated the tactical level monitoring of the situation and the coordination of the Company's responses and actions to the Infectious Diseases Management Team, with the goal of safeguarding the health and safety of our customers, staff and contractors and reducing the impact on the Company's operations.

## GOVERNANCE OF SUBSIDIARIES AND ASSOCIATES

The Company has a number of subsidiaries and associates which operate independent businesses in Hong Kong, Macao, Mainland China and overseas. Notwithstanding the fact that these subsidiaries and associates are separate legal entities, the Company has implemented a management governance framework (the "Management Governance Framework") to ensure that it exercises an appropriate level of control and oversight as a shareholder of these subsidiaries and associates. In addition, a number of other enhancements have been made to the Company's policies and practices on corporate governance during the year ended 31 December 2022, including the rollout of new CGIs on (i) legal entity management; and (ii) connected and continuing connected transactions.

The Company's Management Governance Framework promotes collaboration between the corresponding Business Units/Functions in the Company on the one hand and the subsidiaries and associates on the other hand and the implementation process of the Management Governance Framework in the Company's subsidiaries and associates starts from the inception of any new business operations/investments.



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In 2022, the Company conducted a review and updated the CGI governing the Management Governance Framework to enhance the implementation process, as well as formalising exceptions for certain subsidiaries and associates from compliance with relevant CGI, subject to satisfaction of specified criteria and conditions.

Pursuant to the Management Governance Framework, the Company exercises its control and oversight through the formulation of a governance structure that is tailored for individual subsidiaries and associates through (i) the imposition of certain internal controls in key areas; and (ii) the adoption of management practices and policies that are appropriate to the business nature and local situation. As a result, adequate internal controls will be adopted by subsidiaries and associates and the Company will be consulted and notified on important matters, complemented by regular reporting and assurance. Compliance with this governance structure is reported by subsidiaries and associates with significant operations on an annual basis.

To facilitate colleagues who act as a director and/or alternate director of the Company's subsidiaries and associates in gaining a better understanding of their directors' duties and responsibilities, mandatory training was provided to them in January 2023, which covered the fundamental legal principles governing the duties and responsibilities of a director and key protocols and policies that are relevant to discharging their duties as the Company's representatives on the boards of directors of those entities.

## BUSINESS ETHICS

Practising integrity and responsible business ethics is paramount to the Company's continued success. The Company's Code of Conduct lays down the requirements of the Company in terms of ethical practices and obliges staff to operate transparently and under the highest principles of fairness, impartiality and integrity in all of the places where the Company does business.

The Code of Conduct is reviewed and updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements. The latest version was released in February 2022 in the form of a digital flipbook to facilitate staff understanding and access. In addition, a new staff awareness programme was launched in early June 2022. The main theme of the first session was the Personal Data (Privacy) Ordinance. Animation videos and interactive games with real life examples as well as a webinar were provided to help staff members better understand the principles of the Ordinance and if certain acts are unlawful or unacceptable. Other education programmes, such as mandatory online training programmes, have also been introduced to raise staff awareness.

To ensure our staff members live up to the highest ethical standards, a policy related to the prevention of bribery and corrupt practices has been put in place and is reviewed periodically. Staff members are also encouraged to report existing or perceived violations of the Code of Conduct as well as malpractices. Proper procedures related to the whistle-blowing policy of the Company are also established, which enable staff members to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

To assist new recruits in embracing the Company's values and ethical commitments, they are briefed on the Code of Conduct during the staff induction programme. New recruits are also required to complete mandatory online training programmes within three months of joining the Company. The Code of Conduct is available on the Company's website ([www.mtr.com.hk](http://www.mtr.com.hk)).

In addition, the Code of Conduct serves as a guideline for establishing a comparable ethical culture among our subsidiaries and associates in Hong Kong, Macao, Mainland China and overseas.

## EXTERNAL AUDITOR

The Company engages KPMG as its External Auditor. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit & Risk Committee, under its terms of reference, pre-approves all audit services to be provided by KPMG and discusses with KPMG the nature and scope of their audit and reporting obligations before the audit commences.

The Audit & Risk Committee also reviews and pre-approves the engagement of KPMG to provide any non-audit services, for complying with relevant regulatory requirements and seeks to balance the maintenance of objectivity with value for money.

The nature of audit and non-audit services provided by KPMG and fees paid to KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) are set out in note 10B to the consolidated financial statements on page 231 of this Annual Report.

For maintaining independence and objectivity as the External Auditor of the Company, KPMG implements policies and procedures to comply with professional ethics and independence policies and requirements applicable to the work it performs. In addition, KPMG requires its audit partner serving the Group to rotate off the audit engagement with the Group at least once every seven years in accordance with the Hong Kong Institute of Certified Public Accountants/International Federation of Accountants Code of Ethics.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants regarding auditor independence.

## COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide shareholders with information about the Company to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Board is responsible for maintaining an on-going dialogue with shareholders and, in particular, for communicating with them and encouraging their participation. The Company adopted a Shareholders' Communication Policy in 2012, which was last updated in January 2022 and is available on the website of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)).

A high-level summary of the Shareholders' Communication Policy is set out below:

- as a general policy: the Company (i) will assign dedicated management personnel to be in charge of ensuring effective and timely dissemination of information to shareholders; (ii) will provide shareholders with ready access to information about the Company; and (iii) will facilitate shareholders' participation in annual general meetings; and
- as specific policies: (i) corporate communications (such as annual reports, interim reports, circulars and announcements) will take full account of the Company's obligations under the Listing Rules and other relevant laws and regulations; (ii) annual general meetings and other general meetings are opportunities for shareholders to exercise their right to speak and discuss the business activities of the Company; (iii) announcements, notices, circulars and other documents as required by the Listing Rules, and news releases and data/information about latest developments of the Company are available on the Company's website; and (iv) shareholders can communicate their views on various matters affecting the Company, and the Company has set out different engagement channels to solicit and understand the views of its stakeholders.



During the year, the key communication channels and engagements with shareholders were as follows:

### 2022 AGM

- Held in hybrid format, which provided shareholders with the option of attending the 2022 AGM physically or joining online
- Submission of questions in advance

### Investor Meetings

- About 100 meetings with institutional investors and analysts globally

### Corporate Communications

- Over 70 corporate communications documents (including annual report, interim report and sustainability report as well as various notices and announcements) on the websites of both the Company and the Stock Exchange
- Press releases and webcast archives of results announcements on the Company's website

### Dividend Information

- Dividend Policy is available on page 99 of this Annual Report under "Investor Relations" section
- Dividend payment history can be found on the Company's website
- Dividend calculator is made available on the Company's website during the scrip dividend election period to facilitate shareholders' calculation of the maximum number of scrip shares to which they are entitled

The Board has conducted its annual review of the Shareholders' Communication Policy and considers that it has been effectively implemented during the year ended 31 December 2022 and remains appropriate.

## Annual General Meeting

The Company's Annual General Meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for the Chairman of the Company, the chairman of each Board Committee, all Members of the Executive Directorate and the External Auditor of the Company to attend Annual General Meetings to answer shareholders' questions.

In light of the COVID-19 pandemic and the requirements of the relevant social distancing laws and regulations, the Company implemented a number of precautionary measures for the 2022 AGM, including:

- the 2022 AGM was held in a hybrid format, which provided shareholders with option of attending physically or joining online;
- only the Chairman of the Company, the chairman of each Board Committee, certain Members of the Executive Directorate and the External Auditor of the Company were invited to attend the 2022 AGM at the AGM venue and other Members of the Board and the Executive Directorate joined by electronic means;
- only 50 shareholders were accepted to physically attend the 2022 AGM through online pre-registration; and
- submission of questions in advance of the 2022 AGM was required.

At the 2022 AGM, the Company continued providing sign language interpretation in addition to simultaneous Cantonese, English and Putonghua interpretation, and, for the benefit of the Company's shareholders who were unable to physically attend the 2022 AGM, the Company provided shareholders with an option to join the meeting through an online platform with three choices of language (Cantonese, English and Putonghua). The webcast of the whole proceedings was also posted on the Company's website for viewing during the year.

The 2023 AGM has been scheduled on 24 May 2023. With the aim of helping shareholders save time and resources and reducing the Company's carbon footprint, the Company plans to continue holding the 2023 AGM in a hybrid format, which will provide shareholders

with the option of attending physically or joining the AGM online, and the abovementioned sign language interpretation and simultaneous interpretation services will continue to be provided to further facilitate smooth and direct communication between the shareholders of the Company and the Members of the Board and the Executive Directorate of the Company. The Company is committed to making available meeting facilities to enable all eligible attendees to be able to participate in the 2023 AGM.

## Resolutions passed at the 2022 AGM

The Chairman proposed separate resolutions for each substantially separate issue at the 2022 AGM. Before the resolutions were considered, the Chairman exercised his right as the Chairman of the 2022 AGM under Article 71 of the Articles of Association to call a poll on all resolutions conducted by electronic means.

A total of 13 resolutions were passed at the 2022 AGM (with resolution no. 3 comprising five separate resolutions), all of which were supported by over 97% of the votes cast, with a vast majority of the resolutions receiving over 99% support. The full text of the resolutions is set out in the 2022 AGM Circular (which comprised Notice of the 2022 AGM) dated 14 April 2022 and the results of the AGM are available on the respective websites of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

## Calling General Meetings

Directors of the Company may call a general meeting of the Company.

Shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request the Directors of the Company to call a general meeting of the Company.

The requesting shareholders must state in their request the general nature of the business to be dealt with, and may include the text of a resolution to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy or electronic form, which must be authenticated by the requesting shareholders.

The Directors of the Company are required to call a general meeting within 21 days after the date on which the Company receives such request, and the general meeting must be held on a date not more than 28 days after the date of the notice convening the general meeting. If the request includes a resolution to be moved at the general meeting, the notice of the general meeting must include notice of the resolution. If the resolution is to be proposed as a special resolution, the Directors of the Company are required to specify the intention to propose the resolution as a special resolution in the notice of the general meeting.

If, within 21 days after the date on which the Company receives the required request, the Directors of the Company do not proceed duly to call a general meeting, the shareholder(s) who requested the general meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than three months after the date on which the Company receives the required request.

### Procedures for Shareholders Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Articles of Association.

As regards proposing a person for election as a director, please refer to the "Appointment Procedure for Members of the Board of the Company" which is available on the website of the Company ([www.mtr.com.hk](http://www.mtr.com.hk)).

### Enquiries from Shareholders

Shareholders are, at all times, welcome to raise questions, communicate their views on various matters affecting the Company and request information (to the extent it is publicly available) from the Board and management by writing to the Company Secretary.

For other means of communication with the Company, please refer to the Investor Relations section (pages 98 to 99) of this Annual Report.

## CONSTITUTIONAL DOCUMENT

To allow flexibility for the Company in reviewing the Directors' fees and to enable the Company to bring the Directors' fees more in line with the market so as to allow the Company to continue to attract Directors of a suitable calibre, the cap on Directors' fees set out in Article 100 of the Articles of Association has been increased from HK\$10,000,000 to HK\$11,000,000 with the approval of the Company's shareholders at the 2022 AGM. The updated Articles of Association (in both English and Chinese) are available on the websites of both the Company ([www.mtr.com.hk](http://www.mtr.com.hk)) and the Stock Exchange.

For and on behalf of the Board

Gillian Elizabeth Meller  
*Company Secretary*  
Hong Kong, 9 March 2023